

**2008 Relocation Towing  
Annual Report Analysis  
For the Years 2004 through 2008**

**Transportation Bureau**

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## Table of Contents

<b>Introduction .....</b>	<b>1</b>
<b>Analysis of Annual Report Part I: General Information .....</b>	<b>2</b>
<b>Analysis of Annual Report Part II: Employees &amp; Equipment .....</b>	<b>3</b>
<b>Analysis of Annual Report Part III: Operational Information .....</b>	<b>3</b>
Facilities.....	3
Towed & Unclaimed Vehicles .....	3
Relocation Towing Contracts.....	4
<b>Analysis of Annual Report Part IV: Financial Information.....</b>	<b>5</b>
Relocation Towing .....	5
Relocation Storage .....	6
Other Relocation.....	7
Net Relocation .....	8
Non-Relocation.....	8
Total Company .....	8
<b>Summary &amp; Conclusion.....</b>	<b>10</b>

## INTRODUCTION

Counties in Illinois can elect coverage under the Illinois Commercial Relocation of Trespassing Vehicle Law ("Law"), 625 ILCS 5/18a-100 et.seq., which gives the Illinois Commerce Commission the authority to supervise and regulate the removal of trespassing vehicles from private property. Commission authority does not extend to tows of vehicles parked on public streets, tows by companies repossessing vehicles or tows directed by police. In 2008 the Commission was responsible for the regulation of 61 licensed commercial vehicle relocators, who operated within the five counties of Cook, DuPage, Will, Kane and Winnebago.

In accordance with the Law, 625 ILCS 5/18a-200(6), the Commission has the authority to set reasonable rates for commercial towing or removal of trespassing vehicles from commercial property. The rates shall not exceed the mean average of the five highest rates for police tows within the territory served. Relocators seeking a rate increase must petition the Commission. In July of 2007, 8 companies representing over 60 percent of the relocation towing industry were granted a rate increase to \$170 per tow and \$40 per day for storage after the first 24 hours. On October 15, 2008, a Commission Order was entered approving a rate increase for all remaining relocation towing companies that were not a party to the case granted in 2007.

The Illinois Commerce Commission was granted regulatory authority over the commercial relocation of trespassing vehicles over 10,000 pounds located on private property and the storage of such vehicles under Public Act 05-0407 effective January 1, 2008. The Commission initiated a formal proceeding to take evidence in order to establish towing and storage rates in accordance with the provisions of the Act. As a result, the fair and reasonable tow rate for vehicles between 10,000 and 40,000 pounds was set at \$520 per tow; vehicles over 40,000 pounds at \$700; with storage rates for vehicles in excess of 10,000 pounds at a flat rate of \$140 per day after the first 24 hours.

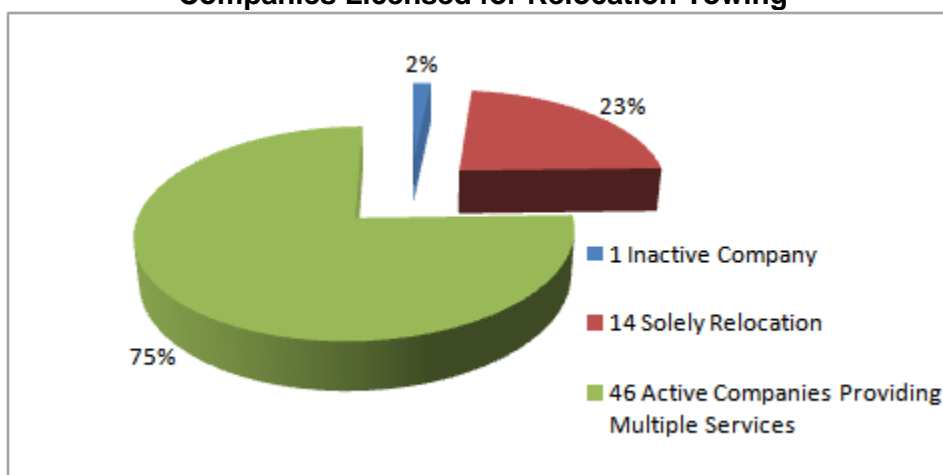
Also noteworthy was the brief inclusion of McHenry County in the provisions of the Law effective March 26, 2008 and rescinded November 13, 2008, through adoption of Resolutions by the Commission.

All licensed relocation towers are required to file an annual report by May 15th of each year specifying their relocation and non-relocation financial and operational information. Part I of the Annual Report collects general information about relocators and non-relocators operations for towing companies that are located in the counties regulated by the Illinois Commerce Commission. Part II gathers information about employees and equipment such as, the number of employees and pieces of equipment owned or leased. Part III requests operational information including the total number of tows and relocation tows, the number of vehicles and relocation towed vehicles that were stored (claimed and unclaimed) and the number of non-expired relocation towing contracts. Part IV requests financial information. Operating revenue and expense information is reported for the relocation business (towing, storage and other relocation activity), as well as all other operating activity not related to relocation towing and total company results for the business as a whole. The following analysis is based on operational and financial information derived from the 61 annual reports filed for calendar year 2008, as well as information obtained over the four previous years.

## ANALYSIS OF ANNUAL REPORT PART I: GENERAL INFORMATION

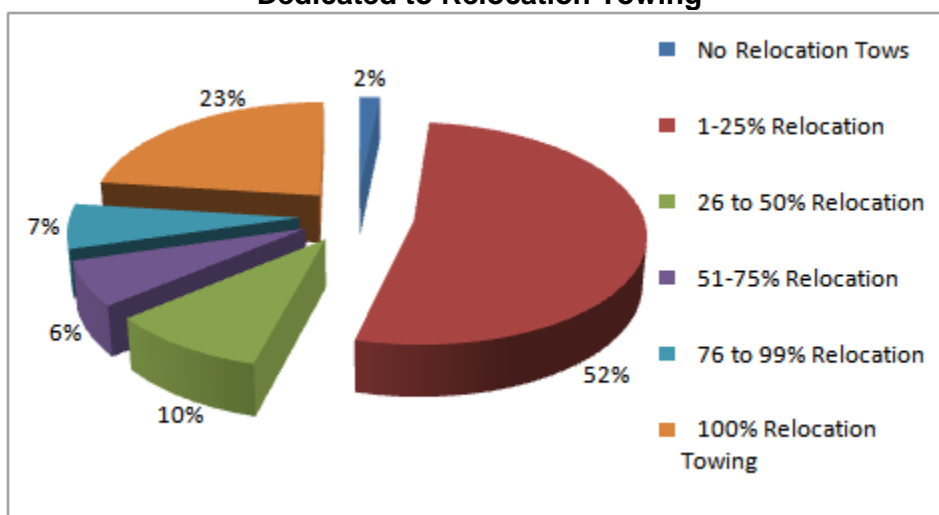
As shown in FIGURE 1, 14 of the 61 companies submitting the annual report, or 23 percent, do solely relocation towing and one company, representing two percent of the industry, did not report any relocation towing activity. Two-thirds of the industry, 46 companies or 75%, report providing multiple operations in their businesses.

**FIGURE 1:**  
**Companies Licensed for Relocation Towing**



As shown in FIGURE 2, relocation towing accounts for less than 25 percent of the towing activity for 32 licensed relocators, or 52 percent of the industry.

**FIGURE 2:**  
**Percentage of Licensed Companies by Percentage of Business Dedicated to Relocation Towing**



## ANALYSIS OF ANNUAL REPORT PART II: EMPLOYEES & EQUIPMENT

It is unlawful for a relocater to employ any person as an operator or dispatcher who does not have a valid operator or dispatcher's employment permit. The Commission issues operator and dispatcher's employment permits only after police background checks. In 2008, the 61 relocation towers reported employing 584 operators and/or dispatchers and 253 other employees. The use of 379 power units of which 79 or 21 percent were leased was also reported.

## ANALYSIS OF ANNUAL REPORT PART III: OPERATIONAL INFORMATION

### Facilities

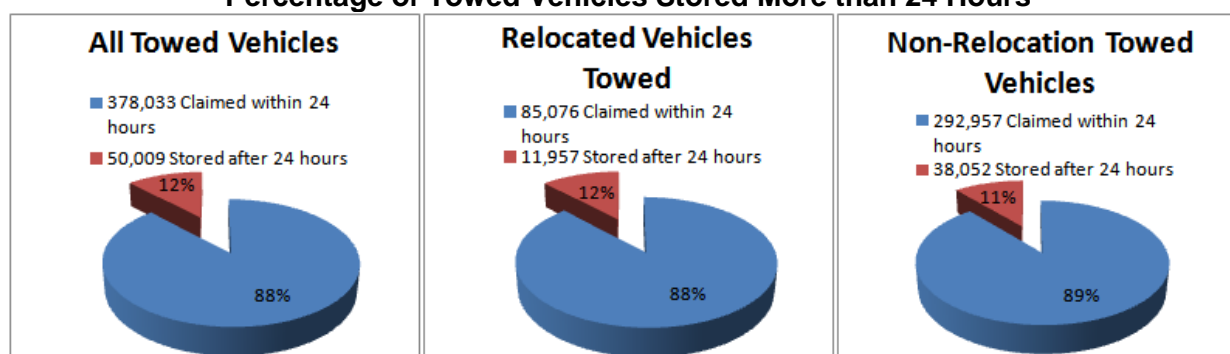
According to the Law, relocators must provide security for all storage lots and maintain personnel on call during business hours in order for vehicle owners to access the storage facility. Approximately 25 percent of the licensed relocators have more than one storage facility and four relocators have three storage facilities.

Of the 11,957 trespassing towed vehicles that were placed into storage for more than 24 hours, approximately 49 percent, or 5,813 vehicles, went unclaimed by their owners.

### Towed & Unclaimed Vehicles

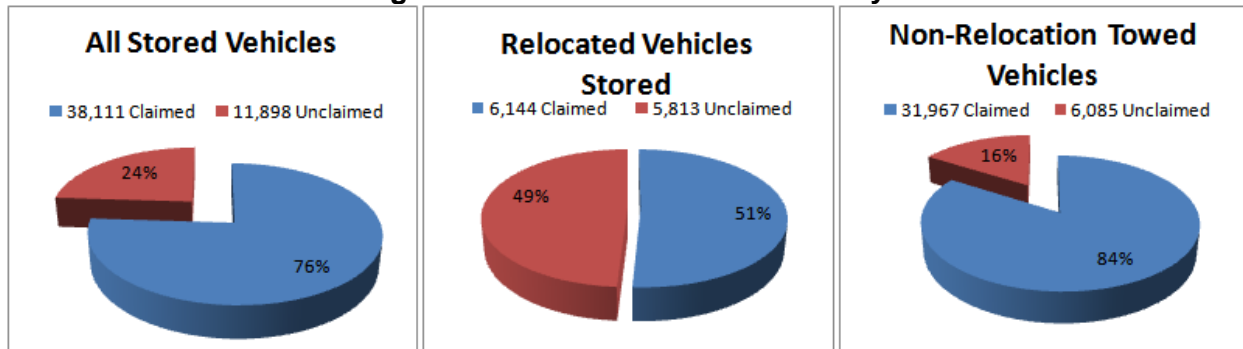
In FIGURE 3, the first pie chart on the left shows that 50,009 or 12 percent, of the 428,042 vehicles towed last year were placed into storage for more than 24 hours. The middle chart shows that 11,957 or 12 percent of the 97,033 relocated trespassing vehicles towed were placed into storage. The chart on the right shows that 38,052 vehicles or 11 percent of the 331,009 non-relocation vehicles towed were placed into storage for more than 24 hours. The charts as a group illustrate that the percentages do not vary significantly between relocation and non-relocation tows.

**FIGURE 3:**  
**Percentage of Towed Vehicles Stored More than 24 Hours**



However, as FIGURE 4 on the following page illustrates, the variance between relocated and non-relocated vehicles placed into storage for more than 24 hours differs considerably. 49 percent of the trespassing vehicles placed into storage are unclaimed, which is a much higher percentage than the 16 percent of non-relocation towed vehicles that remain unclaimed.

**FIGURE 4:  
Percentage of Stored Vehicles Unclaimed by Owner**



### Relocation Towing Contracts

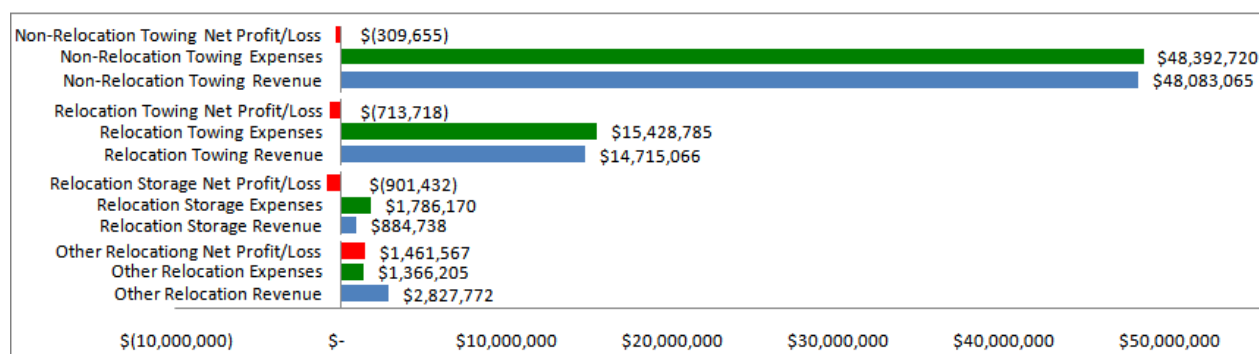
The Commission's relocation towing regulations require that a relocater must have a written authorization (contract) from the property owner or person in lawful authority or possession of the property, prior to removing any vehicle from the private property without the consent of the owner. Further, before a trespassing vehicle may be removed from private property, the relocater must have posted appropriate signs stating the relocater's name, address, telephone number and the amount of the towing and storage charge. Contracts are subject to review by the Commission and the private property lots are subject to inspection to assure signs are properly posted and displayed.

At the end of 2008, licensed relocators reported 41,211 active contracts with private property owners to remove trespassing vehicles, but all contracts did not result in tows. The number of contracts per relocation towing company varied from 1 to 7,521, averaging two tows per contract.

## ANALYSIS OF ANNUAL REPORT PART IV: FINANCIAL INFORMATION

The 61 relocation towers reported total revenue from all regulated and non-regulated operations of \$66,322,325 and total expenditures of \$66,963,170. The total of relocation towing, storage and other relocation receipts account for 28 percent of the total company revenues and 28 percent of the total company expenses. FIGURE 6 shows revenue, expense and net income or loss for the three components of relocation (towing, storage and other relocation activity), as well as the total non-relocation revenue and expense. Each section of the chart is discussed separately with additional figures to provide graphical representation of the data collected.

**FIGURE 6:  
Total Company Revenue, Expense and Net Income  
2008**



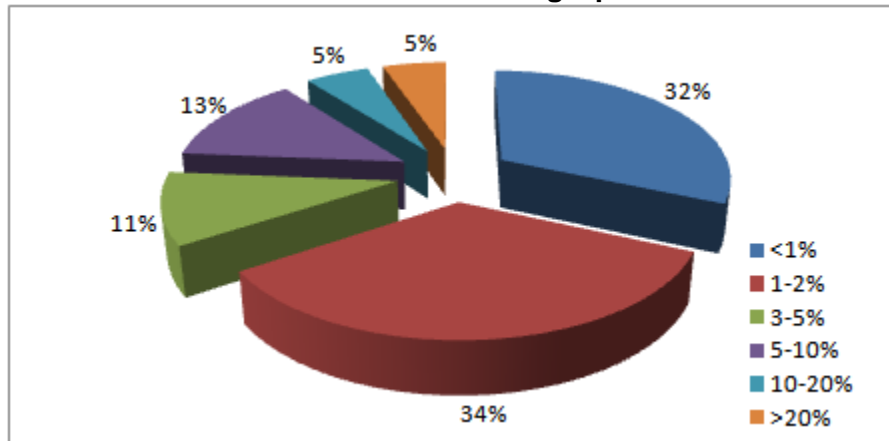
### Relocation Towing

Relocators generated a total of \$14,715,066 from towing trespassing vehicles in 2008, after refunds of \$188,317 for improper tows or complaint resolutions. Relocation towing expenses were reported as \$15,428,785 thereby producing an overall net loss of \$713,718 or a 105 percent operating ratio for all relocation towing activity.

As mentioned in the Introduction, effective January 1, 2008, the Commission was granted regulatory authority of the relocation towing and subsequent storage of vehicles over 10,000 pounds. In order to maintain consistency in the comparison over a five year period, the information will next be separated by vehicles over and under 10,000 pounds.

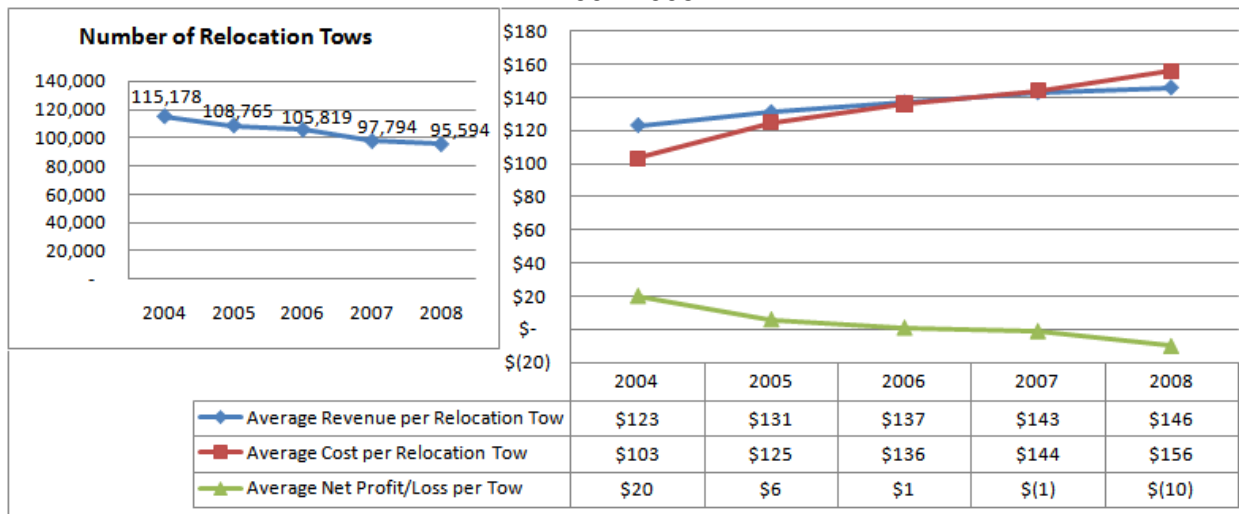
Relocation tows of vehicles over 10,000 pounds were performed by 62 percent or 38 companies submitting annual reports and account for 2 percent of all relocation performed in 2008. This portion of the industry generated revenue of \$717,900 with expenses of \$539,783. 1,439 such tows were reported for 2008, averaging a revenue of \$499 per tow with a cost of \$375 per tow; resulting in a net profit of \$124 per tow and operating ratio of 75 percent. Most companies provide a relatively insignificant number of relocation tows of larger vehicles annually; yet this contributes an average of 5 percent of the revenue and 4 percent of the expenses for all relocation tows reported in 2008. See FIGURE 7.

**FIGURE 7:  
Percentage of Relocated Vehicles Over 10,000 Pounds  
to Total Relocation Towing Operations**



For vehicles under 10,000 pounds, the average relocation tow generated revenue of \$146.00 per tow with an average expense of \$156.00 per tow. FIGURE 8 illustrates the average income and expense per relocation tow of vehicles under 10,000 pounds over a five year period. The inset reflects the total number of relocation tows of vehicles under 10,000 pounds for each of the last five years.

**FIGURE 8:  
Average Income and Expense per Relocation Tow of Vehicles Under 10,000 Pounds  
2004-2008**



### Relocation Storage

In 2008, relocators generated \$884,738 in overall storage revenue but incurred \$1,786,170 of storage expenses resulting in an operating ratio of 202 percent and a loss of \$901,433 for the storage of vehicles that were towed from private property. Once again, the information gathered will be further examined by distinguishing between vehicles over and under 10,000 pounds.

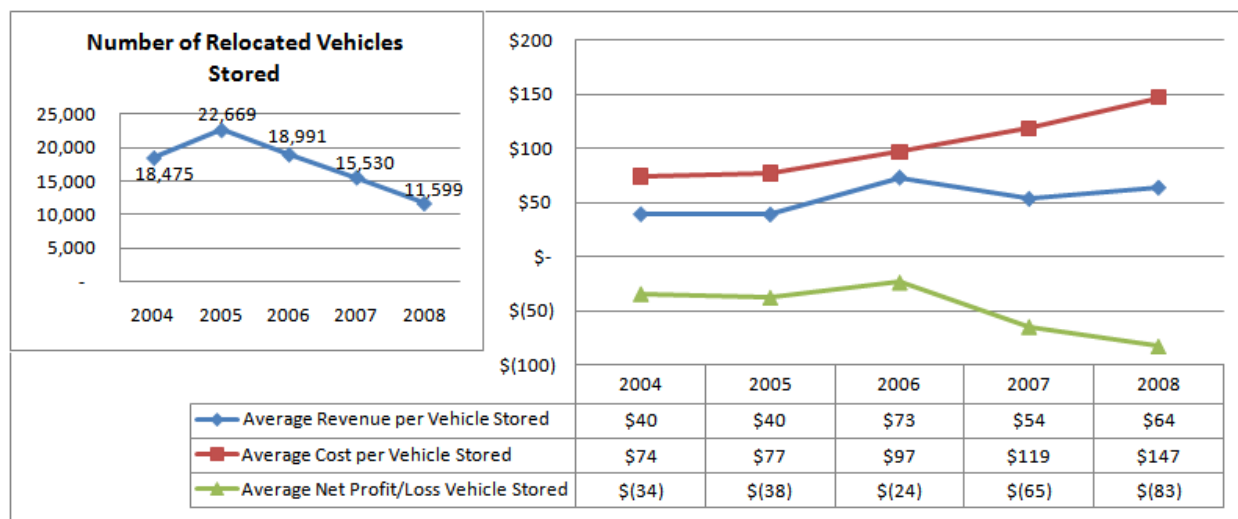


The storage fee of relocated vehicles over 10,000 pounds after the first 24 hours was established at \$140 per day. In 2008, 30 companies reported storage of 358 such vehicles generating 16 percent of the overall relocation storage revenues and 5 percent of the expenses.

Along with the towing rate increase that was effective July 11, 2007, the Commission also granted a storage rate increase for petitioners representing over 60% of the industry from \$37 per day to \$40 per day after the first 24 hours for vehicles under 10,000 pounds. On October 15, 2008, a Commission Order was entered granting a rate increase for the remaining relocators from \$25 and \$37 per day to \$40 for storage after the first 24 hours.

FIGURE 9 represents the average income and expense per trespassing vehicle under 10,000 pounds charged storage over the last five years. The inset depicts the number of vehicles assessed storage during the same period.

**FIGURE 9:**  
**Total Income and Expenses for Relocated Vehicles Under 10,000 Pounds**  
**Assessed Storage**  
**2004-2008**



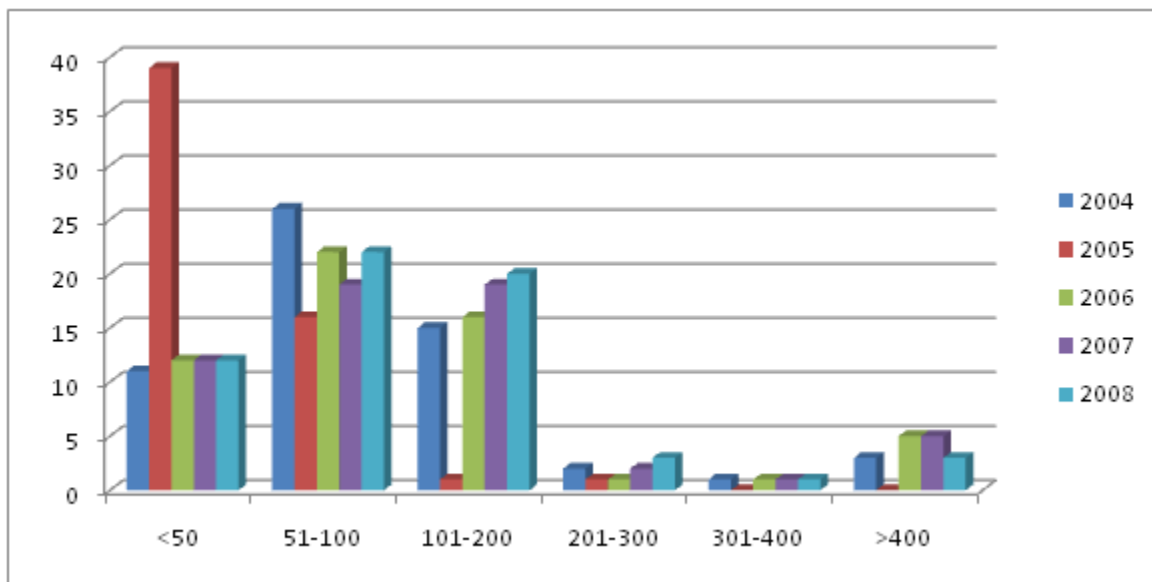
### Other Relocation

Other relocation operating revenue and expense are generated from sale of scrapped and unclaimed vehicles, signage and miscellaneous relocater revenues. The relocation company incurs additional expenses in the legal and administrative process required to dispose of unclaimed vehicles as well as maintaining signs and contracts. During 2008, relocators generated \$2,827,772 in revenue from other than relocation towing or storage activity and incurred \$1,366,205 in expenses, resulting in an operating ratio of 48 percent and a net operating profit of \$1,461,567. These charges cannot be directly attributed to the number of tows performed or storage assessed during the time period for this revenue category.

## Net Relocation

In 2008, relocation companies aggregated \$18,239,260 in total revenue from relocation towing, storage and other relocation operations while incurring \$18,581,160 in expenses thereby resulting in an operating ratio for relocation activity of 102 percent or a net loss of \$341,900. In 2008, the variance among companies was smaller than in years past as no company exceeded 200 percent. FIGURE 10 compares the operating ratios for relocation activity for the years 2004 through 2008.

**FIGURE 10:  
Net Relocation Operating Ratios  
2004 - 2008**



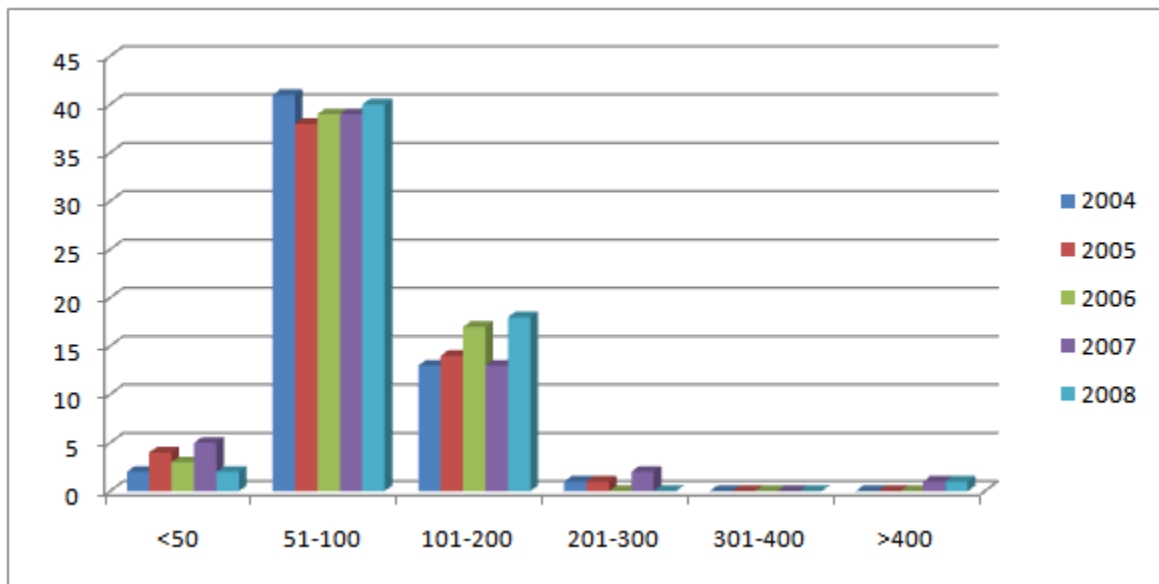
## Non-Relocation

As reported in Part 1, of the 61 licensed companies completing annual reports, 46 are engaged in towing activity other than regulated towing of trespassing vehicles. During 2008, these 46 companies generated revenues of \$48,083,065 in non-relocation towing, storage and other activities and incurred expenses of \$48,392,720 resulting in an operating ratio of 101 percent or a net operating loss of \$309,655 for all non-relocation operations.

## Total Company

Total company revenues from regulated relocation of trespassing vehicles and non-regulated operations were \$66,322,325 with total expenses of \$66,963,170 resulting in a net loss of \$640,845 for all operations. The operating ratio for relocation and non-relocation activity of all 61 companies was 101 percent.

**FIGURE 11:**  
**Net Operating Ratios for Total Company Operations**  
**2004 - 2008**



## **SUMMARY & CONCLUSION**

Fourteen of the 61 regulated companies submitting an annual report, or 23 percent, do solely relocation towing. For 57 percent of the companies, relocation tows account for less than 25 percent of their towing activity.

The majority of vehicles are claimed within 24 hours. The percentage of vehicles placed into storage for more than 24 hours does not vary significantly between trespassing and non-relocation vehicles, at 12 and 11 percent respectively.

Of vehicles placed into storage and being unclaimed, the difference between relocated and non-relocated vehicles varies greatly. Forty nine percent of relocated vehicles stored more than 24 hours remain unclaimed. That figure drops to 16 percent for non-relocated vehicles.

The relocation of trespassing vehicle operations, as a whole, aggregated \$18,239,260 in total revenue while incurring \$18,581,160 in expenses, netting a loss of \$341,900, producing an operating ratio of 102 percent. Non-relocation towing operations also experienced a net operating loss of \$309,655. Total company revenues were reported at \$66,322,325 with \$66,963,170 in total company expenses, a net loss of \$640,845 for all regulated and non-regulated towing operations in total.

The annual report information includes operating and financial information for regulated and non-regulated towing operations, as well as joint expenses for usage of facilities, equipment and personnel. Relocators were contacted to improve the quality of the data. Nonetheless, a wide range in operating ratios makes generalization regarding the industry as a whole difficult, if not impossible. The annual report data used in this analysis was self-reported and not audited.